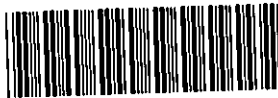


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**ANNUAL AUDITED REPORT
FORM X-17 A-5
PART III****OMB APPROVAL**OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden
hours per response... 12.00**SEC FILE NUMBER**

8-29504

FACING PAGE**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 10-01-05 AND ENDING 09-30-06
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Fiduciary Financial Services Corp

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

600 Fifth Avenue

(No. and Street)

New York

NY

10020

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael J. Corcoran

(650) 525-7510

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers, L.L.P.

(Name - if individual, state last, first, middle name)

3 Embarcadero Center

San Francisco

CA

94111

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any**PROCESSED****JAN 25 2007****THOMSON
FINANCIAL**

RECEIVED

2006

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240. 17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Michael J. Corcoran, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fiduciary Financial Services Corp as of September 30, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

Chief Financial Officer

Title

State of California

County of San Mateo

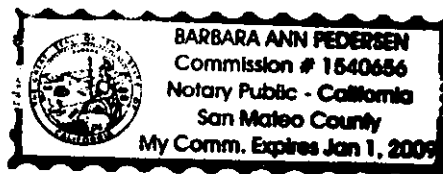
Subscribed and sworn to (or affirmed) before me on

This 28th day of November, 2006

By Michael J. Corcoran

Personally known to me or proved to me on the basis of

Satisfactory evidence to be the person(s) who appeared before me



Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule ISc3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule ISc3.3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule ISc3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule ISc3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit

** For conditions of confidential treatment of certain portions of this filing, see section 240.17 a-5(e) (3).

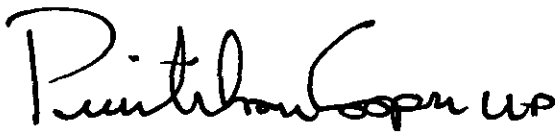
**Fiduciary Financial
Services Corp.**

**Report on Audit of Financial Condition
September 30, 2006**

Report of Independent Auditors

Board of Directors of
Fiduciary Financial Services Corp.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Fiduciary Financial Services Corp. (the "Company") as of September 30, 2006 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this financial statement in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



November 29, 2006

Fiduciary Financial Services Corp.
Statement of Financial Condition
September 30, 2006

Assets

Cash equivalents	\$ 2,210,000
Commissions receivable	24,727
Deferred tax assets, net	33,735
Tax receivable from affiliate	81,539
Due from affiliates	26,639
Deposits and prepaid expenses	<u>110,433</u>
Total assets	<u>\$ 2,487,073</u>

Liabilities and stockholder's equity

Liabilities

Trade payables and accrued expenses	\$ 93,333
Due to affiliates	<u>677,985</u>
Total liabilities	<u>771,318</u>

Stockholder's equity

Common stock, \$1,000 par value; 1,000 shares authorized; 100 shares issued and outstanding	100,000
Capital in excess of par value	200,137
Retained earnings	<u>1,415,618</u>
Total stockholder's equity	<u>1,715,755</u>
Total liabilities and stockholder's equity	<u>\$ 2,487,073</u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Financial Services Corp.
Notes to Statement of Financial Condition
September 30, 2006

1. Nature of Business

Fiduciary Financial Services Corp. (the "Company") is a wholly-owned subsidiary of Fiduciary Investment Company, (the "Parent") which is a wholly-owned subsidiary of Fiduciary Trust Company International ("FTCI"), which, in turn, is a wholly owned subsidiary of Franklin Resources, Inc. ("Franklin").

The Company has an agreement with a third party broker-dealer whereby the broker-dealer clears transactions for the Company's customers and carries the accounts of such customers on a fully disclosed basis. Accordingly, the Company does not carry customers' accounts and does not receive, deliver or hold cash or securities in connection with such transactions.

2. Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of estimates made by management. Actual amounts may differ from these estimates.

Cash Equivalents

Cash equivalents consist of amounts held in a money market fund. Due to the relatively short-term nature of this instrument, the carrying value approximates fair value.

Income Taxes

The Company is included in the consolidated Federal and combined state income tax returns for Franklin Resources, Inc. Franklin Resources allocates these income taxes to the Company using the separate return method and allocates tax benefits arising from its net operating losses.

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The impact on deferred charges in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period enacted.

Off-Balance Sheet Financial Contingency

The securities transactions of the Company's customers are introduced on a fully disclosed basis with the clearing broker. The Company holds no customer funds or securities; the clearing broker provides services for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off balance sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitment wherein clearing broker may charge any related losses to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers.

3. Transactions with Customers

As part of its agreement with the Company, the clearing broker extends credit to customers. The Company seeks to control the risks associated with these activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The

Fiduciary Financial Services Corp.
Notes to Statement of Financial Condition
September 30, 2006

Company and the clearing broker monitor required margin levels and, pursuant to such guidelines, request customers to deposit additional collateral or reduce securities positions when necessary.

The Company has agreed to indemnify the clearing broker for losses that it may sustain from the customer accounts introduced by the Company. As of September 30, 2006, and for the year then ended, there were no amounts to be indemnified to the clearing broker for these customer accounts.

4. Liabilities Subordinated to Claims of General Creditors

For the period ended September 30, 2006, the Company did not have any liabilities subordinated to claims of general creditors.

5. Income Taxes

The major components of the net deferred tax assets as of September 30, 2006 were as follows:

Deferred tax assets	
Deferred compensation and employee benefits	\$ 33,869
Others	(134)
Total deferred tax assets, net	<u>\$ 33,735</u>

Tax receivable from affiliates of \$81,539 will be received from FTCI under the terms of a Franklin tax sharing agreement.

6. Related Party Transactions

The Company provides brokerage services to the Parent for which it charges a fee. In addition, certain expenses are allocated to the Company for costs incurred by affiliated companies, which benefit the Company. Amounts due to, due from affiliates relate to these transactions.

7. Employee Benefit Plans

Franklin sponsors an Annual Incentive Plan and other incentive programs covering employees of Franklin and its U.S. subsidiaries.

The Company also participates in FTCI's employee savings plan (the "Employee Savings Plan"), covering substantially all employees who have attained age 21 and completed one year of service. The Plan provides for pre-tax contributions by employees, and for the Parent to match a portion of such employee contributions and to make additional contributions at the discretion of the Parent's Board of Directors.

8. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). In accordance with Rule 15c3-1, the Company is required to maintain a minimum net capital of either the greater of 6-2/3% of aggregate indebtedness, or \$50,000. In addition, the Company is required to maintain a ratio of aggregate indebtedness to net capital, both as defined, not in excess of 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash

Fiduciary Financial Services Corp.
Notes to Statement of Financial Condition
September 30, 2006

dividends paid if the resulting indebtedness to net capital ratio would exceed 10 to 1. As of September 30, 2006, the Company had net capital of \$1,517,075, which was \$1,465,654 in excess of its required net capital of \$51,421. The Company's ratio of aggregate indebtedness to net capital was 0.51 to 1.